



Office of the Washington State Auditor
Pat McCarthy

Fraud Investigation Report

City of Tacoma

For the investigation period January 1, 2018 through October 31, 2020

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**Office of the Washington State Auditor
Pat McCarthy**

March 31, 2022

Mayor and City Council
City of Tacoma
Tacoma, Washington

Report on Fraud Investigation

Attached is the official report on a misappropriation at the City of Tacoma. On November 17, 2020, the City notified the Office of the Washington State Auditor of a potential loss of public funds. This notification was submitted to us under the provisions of state law (RCW 43.09.185).

Our investigation was performed under the authority of state law (RCW 43.09.260) and included procedures we considered necessary under the circumstances.

If you are a member of the media and have questions about this report, please contact Director of Communications Kathleen Cooper at (564) 999-0800. Otherwise, please contact Special Investigations Program Manager Stephanie Sullivan at (360) 688-0858.

Pat McCarthy, State Auditor
Olympia, WA

cc: Kristy Magyar, Accounting Services Division Manager

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FRAUD INVESTIGATION REPORT

Background and Investigation Results

On November 17, 2020, the City notified our Office regarding a potential loss of public funds, as required by state law (RCW 43.09.185). During an internal audit, City police found discrepancies related to acting lieutenant pay. Specifically, different sergeants received acting lieutenant pay for covering one specific lieutenant's shifts. However, the lieutenant's timesheets indicated he had worked those shifts.

The City reported this issue to the Washington State Patrol (WSP) on July 28, 2020. WSP determined the City had a payroll misappropriation totaling \$21,499 between February 2018 and June 2020.

We reviewed WSP's investigation and agree with its conclusions. The police department uses two software programs, one for managing work schedules and one for payroll time reporting. The investigation found that from February 2018 to June 2020, the lieutenant recorded 28 various days off in the work schedule program, but did not record these days off in the payroll time reporting system. This resulted in the City paying the Lieutenant for 276 hours, valued at \$21,499, for time he did not work.

In June 2020, the City gave the lieutenant a list of days that he was paid for leave but did not report the leave on his time card. In an email dated June 19, 2020, the lieutenant said he was sorry for any discrepancies. He said all of his time worked was listed in the work schedule program, and he requested a reduction in his leave balance to correct the discrepancies.

In October 2020, WSP interviewed multiple people, including sergeants who worked the shifts in question and the lieutenant's supervisor. WSP asked to meet with the lieutenant, but he declined through an email on November 1, 2020, from his attorney.

In November 2020, the lieutenant retired. When calculating the lieutenant's final paycheck, the City reduced his leave balances by 276 hours to account for the discrepancies.

In August 2021, we called the former lieutenant multiple times to request an interview. He did not respond.

Control Weaknesses

Internal controls at the City police department were inadequate for safeguarding public resources. WSP's investigation found the following weakness allowed the misappropriation to occur:

- No one compared the work schedule program to the payroll time reporting system to verify consistency between time worked and time paid.

Recommendations

We will refer this case to the Pierce County Prosecuting Attorney's Office for any further action it determines is necessary.

We also recommend the City seek recovery of the related investigation costs of \$3,108 from the former lieutenant and/or its insurance bonding company, as appropriate. As state law (RCW 43.09.260) directs, the Attorney General and State Auditor must provide written approval of any compromise or settlement of this claim by the City. The contact for the Attorney General's Office is Assistant Attorney General Matt Kernutt, who can be reached at (360) 586-0740 or Matthew.Kernutt@atg.wa.gov. The contact for the Office of the Washington State Auditor is Brandi Pritchard, Assistant Director of Local Audit and Special Investigations, who can be reached at (360) 489-4591 or Brandi.Pritchard@sao.wa.gov.

City's Response

The City of Tacoma appreciates the efforts of the State Auditor's Office in investigating this matter. The City takes misappropriations of funds seriously and concurs with the results of the investigation.

The City of Tacoma is still evaluating whether or not to seek restitution of fees associated with this audit.

The Tacoma Police Department has implemented the following corrective measures to address this matter going forward:

- Create and review biweekly payroll report to identify time coded as Acting Sergeant/Lieutenant.
- Review biweekly timecard submissions to ensure upgrade slips include the name of the Sergeant/Lieutenant who is out on leave.
- Review biweekly timecard submissions to ensure Sergeants/Lieutenants out on leave have the appropriate leave time coded on their timecard.
- Send out reminder memo detailing the timecard process when working in an acting capacity.
- Send out reminder memo on an annual basis on how to review timecard submission to ensure time is being recorded correctly.
- On an annual basis will conduct random review process for timecard upgrade to ensure time was coded correctly.

Auditor's Remarks

We thank City officials and personnel for their assistance and cooperation during the investigation. We will follow up on the City's internal controls during the next audit.

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The State Auditor's Office is established in the Washington State Constitution and is part of the executive branch of state government. The State Auditor is elected by the people of Washington and serves four-year terms.

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

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